

Annual Financial Report Year Ended June 30, 2005

Michigan Deptartment of Treasury 496 (2-04) Auditing Procedures Report

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You must	check the	appli	cable bo	x for e	ach item b	elow.						
Yes	√ No	1.	Certain o	compo	nent units/f	funds/agencie	es of the loca	ıl unit are excl	uded from the	financia	l stateme	ents.
Yes	✓ No		There ar 275 of 19		ımulated d	leficits in one	e or more of	this unit's un	reserved fund	i balance	es/retaine	d earnings (P
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Yes	√ No							er an order i ncy Municipal		the Mur	nicipal Fi	nance Act or
Yes	√ No							o not comply amended [MC		y require	ments. (F	P.A. 20 of 194
Yes	√ No	6.	The local	l unit h	as been de	elinquent in di	istributing tax	revenues that	at were collect	ted for ar	other tax	xing unit.
Yes	✓ No	7. į	pension I	benefit	s (normai	costs) in the	current year		s more than	100% fur	nded and	ent year earn the overfundi r).
Yes	✓ No		The loca (MCL 129			t cards and	has not ado	pted an appli	cable policy	as requi	red by P	.A. 266 of 19
Yes	✓ No	9.	The local	l unit h	as not ado	pted an inves	tment policy	as required b	y P.A. 196 of	1997 (M	CL 129.9	5).
We have	enclosed	the f	ollowing	g:					Enclosed		Be varded	Not Required
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Reports o	n individu	al fed	eral finar	ncial as	ssistance p	orograms (pro	gram audits).	7			√
Single Audit Reports (ASLGU).					✓							
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Table of Contents

Introductory Section	
Table of Contents Elected Officials and Appointed Officials	3-5 7
Financial Section	
Independent Auditors' Report	9-11
Management's Discussion and Analysis	13-22
Basic Financial Statements Government-Wide Financial Statements:	
Statement of Net Assets Statement of Activities	25 27
Fund Financial Statements Governmental Funds:	
Balance Sheet Reconciliation of Fund Balance of Governmental Funds to the Net Assets of Governmental Activities on the	30-31
Statement of Net Assets	33
Statement of Revenues, Expenditures and Changes in Fund Balances Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the	34-35
Statement of Activities	37
Proprietary Funds:	20
Statement of Net Assets	38 39
Statement of Revenues, Expenses and Changes in Fund Net Assets Statement of Cash Flows	40-41
Fiduciary Fund:	
Statement of Fiduciary Net Assets	42
Notes to Financial Statements	43-60

Table of Contents

Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actua General Fund	al 63
Special Revenue Funds:	
Major Street	64
Local Street	65
Police Department	66
Tax Increment Finance Authority	67
Other Supplementary Information	
General Fund	
Schedule of Sources of Financial Resources	72-73
Schedule of Uses of Financial Resources	75
Nonmajor Governmental Funds:	
Combining Balance Sheet	78-79
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	80-81
Schedule of Revenues, Expenditures and Changes in Fund Balances -	
Budget and Actual	
Special Revenue Funds:	00
Public Improvement	82
Historic Commission	83
Downtown Development Authority	84
Building Department	85
Debt Service Funds:	0.6
2000 Street	86 87
Water	
2003 Village Hall	88
Downtown Development Authority	89
2003 Village Hall Capital Projects Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balance -	90
Budget and Actual	90

Table of Contents

Internal Service Funds:	
Combining Statement of Net Assets	92
Combining Statement of Revenues, Expenses and Changes in	
Net Assets	93
Combining Statement of Cash Flows	94
Fiduciary Fund:	
Combining Statement of Changes in Asset and Liabilities	97
Schedules of Outstanding Bonded Indebtedness	
General Long-Term Obligations	100-101
Enterprise Funds	102-103

Elected Officials and Appointed Officials

Elected Officials

Village Council	Term Expires
Mr. Daniel Keller - Village President	1/06
Mr. Melvin Hall	1/06
Mr. Jim Palma	1/08
Mr. Scott Van Strate	1/06
Mr. Fred Holland	1/08
Mr. William Filber	1/08
Mr. Tom Fischer	1/06

Appointed Officials

Mr. Ryan Cotton - Village Manager

Ms. Maribeth Lawrence - Clerk/Treasurer

Mr. Robert Sullivan - Village Attorney



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Independent Auditors' Report

Village Council Village of Spring Lake Spring Lake, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Spring Lake as of June 30, 2005, which collectively comprises the Village's basic financial statements. These financial statements are the responsibility of the management of the Village. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information at June 30, 2005, and the respective changes in financial position and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the budgeting comparison information on pages 13-22 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The introductory section, nonmajor governmental funds and the other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Village of Spring Lake. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Grand Rapids, Michigan

300 Seilma, LLP

October 12, 2005



MANAGEMENT'S DISCUSSION AND ANALYSIS

1) Financial Highlights

- a) In all material regards, the Village of Spring Lake ended the fiscal year in sound financial position. All funds ended the year with positive fund balance. Total General Fund expenditures ended under budget by \$12,712. Together with \$1,200 more revenue than budgeted, the total General Fund addition to fund balance was \$12,912.
- b) Overall debt was lower due to annual bond repayments.
- c) Net assets remained revalued from the June 30, 2003 amounts to meet actual holdings and GASB-34 requirements and in most funds, assets increased during the year.
- b) Total expenses for governmental activities totaled \$2,582,950, down from \$4,433,762 due to the \$1,649,416 for the 2003 Village Hall project in FY 2004.
- c) The General Fund is healthy. The fund balance increased by \$19,910. Year-end fund balance for the General Fund totaled \$269,937. This fund balance equals 23% of expenditures. The Village's Fiscal Guidelines calls for 15% of cash balance. When compared to the cash balance of \$204,680, the Village's reserve is found to be 17%.
- d) The Building Fund balance was in a near zero position of \$436 last year. Given the Marina Bay, Rite Aid and other developments, the fund balance improved to \$8,607. This low fund balance is above the \$0 fund balance required by the Fiscal Guidelines. This fund balance should continue until increased development with increased fees or other new revenue will clearly cover the staff, equipment, building and other expenses associated with building inspection and plan code compliance reviews occurs. As noted in the (a) above, the General Fund subsidized the Building Fund by \$28,000 for new facilities in 2004 (Village Hall renovation). Given this improved revenue position, the Building Fund is now budgeted to gradually pay back this obligation.
- e) The Public Improvement Fund realized a gain in fund balance from \$106,629 to \$193,824 due to the one time sale of the old public water works building of \$80,000. These funds, along with the transfer of savings from the Village Hall project of \$90,000 last fiscal year, are budgeted in to help pay for a Municipal Services Garage improvement in FY 2006.

2) Overview of Financial Statements

a) Overall financial picture.

The financial statements provide two views of the Village's financial position. At the broadest level, also called the Government-wide statements, the statements summarize all

Village funds into one statement using the full accrual method of accounting. This method of accounting is similar to private sector, for-profit accounting.

i) Statement of Net Assets

The statement of Net Assets provides information on assets, liabilities and the difference between assets and liabilities, or net assets. Over time, increases and decreases in net assets can serve as a barometer of financial health. A trend of increasing net assets is viewed as a sign of improving condition. The Statement of Net Assets is similar to a balance sheet in private sector accounting.

ii) Statement of Activities

The Statement of Activities explains the change in net assets through revenue and expense analysis. All changes in net assets are reported as the change occurs. This means the statement includes depreciation on the assets. The statement does not report any capital projects. Capital projects are reported on the Statement of Net Assets.

b) Fund Focus

Traditional governmental accounting focused on individual governmental funds. These funds have not disappeared. As in the former financial model, a fund is defined as a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. Funds are used to ensure compliance with legal or regulatory compliance. Funds are classified as either governmental funds, proprietary funds or fiduciary funds.

i) Governmental Funds

Governmental funds are essentially equal to governmental activities except that internal service funds are included in governmental activities and are not governmental funds. Governmental funds use a modified accrual basis of accounting and focus on near-term inflows and outflows of spendable resources and the balances of spendable resources. In the governmental fund statements, accounting for items such as capital outlay, depreciation and debt payments are different than in the government-wide statements. In governmental funds, capital outlay and debt principal are reported on the Statement of Revenues, Expenditures and Changes in Fund Balance.

Depreciation is not recorded. The Balance Sheet for governmental funds does not include any capital assets or tong-term debt.

(1) Major Funds

Under GASB Statement 34, the focus shifted from the type of governmental fund to a major funds emphasis. Major funds are the largest funds in terms of assets, liabilities, revenues or expenses/expenditures. Greater detail is presented in Major Funds. For the Village of Spring Lake, the following funds meet this requirement:

- General Fund
- Major Street
- Local Street
- Village of Spring Lake/City of Ferrysburg Police Department
- Tax Increment Financing Authority Fund

(2) Non-major Funds

In the basic financial statements, the remaining funds are considered non-major funds and are consolidated into one column. These are smaller, less active funds. Detailed information about non-major funds can be found after the Notes to the Financial Statements.

ii) Proprietary Funds

Proprietary funds use the full accrual method of accounting for both government-wide statements and fund level statements. There are two types of proprietary funds:

- Enterprise
- Internal Service
- (1) Enterprise funds are used to report business like activities. In general, these funds charge a fee for goods or services provided. The fee is expected to recover the cost of providing the goods or services. The Village of Spring Lake uses enterprise funds for water distribution and wastewater collection.
- (2) Internal service funds provide goods or services to other Village activities or functions. Internal service funds facilitate cost allocation of centralized services such as vehicle purchases and maintenance. The Village of Spring Lake has two internal service funds: the Central Equipment and the Police Equipment Fund.

iii) Component Units

The Village of Spring Lake's Annual Financial Report includes three component units. Component units are separate legal entities for which the Village of Spring Lake has some level of financial accountability. The Village of Spring Lake's three component units are the Central Business District Development Authority, the Tax Increment Financing Authority and the Village of Spring Lake/Village of Ferrysburg Police Department. More information about this component unit can be found in the Notes to the financial statements and in the schedules following the Notes.

c) Notes to the Financial Statements

Immediately after the Government-wide financial statements are the Notes to the Financial Statements. The Notes are an integral part of the financial statements. The Notes contain many additional disclosures about the financial health of the Village.

3-Financial Analysis

a) Net Assets

The Statement of Net Assets provides an overview of the Village's assets, liabilities, and net assets. As mentioned above, this can provide a good indicator of the Village's fiscal year health over time.

Below is a summarized version of the Statement of Net Assets. See pages 25 and 27 especially for a breakdown of the Business-Type activities, given dramatic annual differences in the water and sewer net assets:

	Governmental	Governmental Activities	Total Business-type	Total Business-	Total - All	
	Activities		Activities			
	FY 2004	FY2005	FY 2004	FY 2005	2005	
Assets						
Current and other assets	\$2,011,936	\$2,082,359	\$ 237,737	\$ 152,644	\$2,235,003	
Capital assets	5,735,109	5,828,090	4,871,051	4,717,003	10,545,093	
Total assets	7,747,045	7,910,449	5,108,788	4,869,647	12,780,096	
Liabilities						
Long-term debt	3,130,755	2,627,544	1,177,597	1,000,699	3,628,243	
Other liabilities	872,493	577,473	55,772	199,481	776,954	
Total liabilities	4,003,248	3,205,017	1,233,369	1,200,180	4,405,197	
Net assets						
Invested in capital assets, net of related debt	2,650,593	3,116,822	3,710,874	3,589,151	6,705,973	
Restricted	604,095	1,067,755	17,945	10,076	1,077,831	
Unrestricted	489,109	520,855	146,600	70,240	591,095	
Total net assets	\$3,743,797	\$4,705,432	\$3,875,419	\$3,669,467	\$8,374,899	

The total net assets of the Village are \$8,374,899 up from 7,619,216 last year. The Village has \$591,095 in unrestricted net assets.

b) Changes in Net Assets

(i) Governmental Activities Highlights

The following table shows how activities effect changes in net assets during the fiscal year.

	All		
	Governmental	Total Business-Type	Total -
	Activities	Activities	All
Revenues			
Program revenues:			
Charges for services	259,790	591,679	851,469
Operating grants and contributions	1,140,206	0	1,140,206
Property taxes	1,816,971	0	1,816,971
Other taxes	210,884	0	210,884
Investment earnings	38,151	3,703	41,854
Total revenues	3,466,002	595,382	4,061,384
Expenses			
General Government	543,506	0	543,506
Public safety	873,307	0	873,307
Public works	412,972	0	412,972
Culture and recreation	306,403	0	306,403
Other	355,247	0	355,247
Interest and fiscal charges	91,515	0	91,515
Water	0	459,784	459,784
Sewer	0	262,967	262,967
Total expenses	2,582,950	722,751	3,305,701
Change in net assets before transfers	883,052	(127,369)	755,683
Net transfers	78,583	(78,583)	0
Change in net assets	961,635	(205,952)	755,683
Net assets- Beginning of year	3,743,797	3,875,419	7,619,216
Ending net assets	4,705,432	3,669,467	8,374,899

Total revenue from all sources totaled \$4,061,384 of which \$3,466,002 was from governmental activities and \$595,382 was from business-type activities. Total revenue from governmental activities is \$3,466,002, of which 52 % or \$1,816,971 is from property taxes. The millage rate remained unchanged from the prior year at 13.1619 out of the 20-mill charter limit. Another 7.5% or \$259,790 of governmental activities revenue was funded through charges for services.

(1) Expenses and expenditures changes

(a) Over cost

Using a full accrual basis of accounting, the Village of Spring Lake spent \$2,582,950 on governmental activities. From this perspective, the Village depreciates capital assets. The Village spent \$873,307 on public safety or 34% of the budget. (The Village of Ferrysburg is a partner in the Spring Lake/Ferrysburg Police Department and contributed \$414,937 towards its operation.) Public works activities totaled \$412,972 or 16% of the budget and culture and recreation expenses totaled \$306,403 or 12% of the budget.

(b) Operating transfers

Significant transfers of funds between governmental funds occurred during the year. Transfers out of the General fund totaled \$ 469,908 the greatest portion of these being transferred into the Police Department Special Revenue Fund with the total of \$467,908. These transfers occur on an annual basis and for clarity of reporting are noted here.

(ii) Business-type Activities - Highlights

Business-type activities show a decrease in net assets of \$205,952 from revenues of \$595,382. The largest source of revenue was from charges for services, which represent 99 % of revenues for business-type activities. Charges for services of proprietary funds are further detailed as follows:

Sewer \$242,024Water \$349,655

(1) Village Water (Distribution)

In recent years, the fund has been stable in net assets but is showing a slight decrease in cash flow anticipated from current water rates. The Village is looking at major infrastructure projects including helping to pay for rehabilitation of the NOWS plant and Spring Lake transmission main upgrades.

Note that this fund handles only the distribution of water to the Village of Spring Lake customers and purchases its treated water from the Northwest Ottawa Water Systems (NOWS) Fund, a joint venture of Northwest Ottawa communities. Note also that the NOWS Fund is working to resolve on the south intake water quality issues and anticipates a substantial increase in the size of the water plant within five years.

Since the water fund ended the year with a near deficit of \$444 in cash, a major rate restructuring is in the future. The fund ended the year with a negative \$44,701 in unrestricted assets.

(2) Village Sewer (Collection)

The Village Sewer Fund has a sufficient cash position at \$103,086; with operating revenues of \$241,425 the fund had a net decrease of \$13,712 in assets. The fund has sufficient reserves to meet its cash flow and capital needs for the immediate future.

4) Financial Analysis of Individual Funds

a) General Funds

The General Fund had revenues of \$1,156,989and \$708,671 in expenditures, including transfers. Net transfers to other funds and component units were \$428,408, the largest going to the Village of Spring Lake/Cit of Ferrysburg Police Department Special Revenue Fund, pursuant to the Joint Police Commission's recommendation and the direction of the Spring Lake Village Council. The fund balance increased by \$19,910 primarily due to less expenditures than budgeted for Harbor Transit. Expenditures in the legal, public works and parks accounts were over budget. The difference was due to a one-time contribution to the Building Fund to cover the cost of the capital investment in the Village Hall for the Building Department renovated offices. Otherwise, the General Fund operating expenditures were overall within budget.

b) Public Improvement Fund

The Public Improvement Fund posted revenue of \$172,686 and expenditures of \$70,491. A transfer of \$17,000 to the Local Street Fund was made.

5) Capital Assets and Debt Administration

a) Capital Assets

i) Summary of capital assets

The Village of Spring Lake has \$10,545,093 invested in capital assets net of depreciation, \$5,828,090 under governmental activities, \$4,717,003 in business-type activities. The major investments are in property, distribution/collection systems within the Village, plus the sewer and water funds.

Capital assets include all purchases of assets that exceed \$5,000 and have an expected useful life greater than three years. Capital assets include: land, land improvements, streets, sidewalks, parking lots, buildings, equipment and utility

systems such as water and sewer lines, sewer lift stations and water meters. The Village uses straight-line depreciation for all depreciable assets.

Some of the major capital purchases during the year included:

• Mill Point Band shell (\$41,500)

Some of the major capital asset reductions were sale of the old public waterworks building (\$80,000).

For more information please see Note 5 in the Notes to the Basic Financial Statements elsewhere in this document.

ii) Discussion of future plans

Annually, the Village Council considers and publishes a 6-year Capital Improvement Plan. The Plan lists all major capital items that the Village Council, various Village Boards and staff envision will be needed over the next three years. Listed major projects for the next two years include:

- Parking Lot Repairs (\$40,000)
- Municipal Services Garage Expansion (\$170,000)
- 209 South Park Waterfront Acquisition (\$209,500)
- 210 South Cutler Waterfront Acquisition (\$107,385)
- Transfers to Local Streets for Street Reconstruction (\$110,000)

6) Debt

a) Summary of debt

The Village of Spring Lake had \$2,751,432, down from \$3,130,755 of debt outstanding for governmental activities in FY 04 and \$1,127,852 in debt outstanding for enterprise funds as of June 30, 2005, down from \$1,177,597 in FY 04.

b) Anticipated debt

The Village of Spring Lake anticipates the long-term borrowing to finance rehabilitation of the new water plant in FY 07.

Note 7 of the notes to the financial statements offers more detailed information on debt and other obligations.

7) Economic Forecast

a) Main Sources of Revenue

The Village of Spring Lake has three main sources of revenue. These include property taxes, utility charges, and state shared revenue. The economic forecast for the community is dependent on these three revenues, as discussed below.

i) Tax Base

The annual change in taxable value and state equalized value of the Village is closely tracked through the Spring Lake Township Assessing Division. The following table shows property values for the recent years as well as the property valuation that will be used in the fiscal year 2005 property tax calculations. State Equalized Value (SEV) is the Assessor's estimate of 50% of market value (also called "true cash" value.) Property taxes are calculated on taxable value, not state equalized value. Taxable value is tracked in the Village's budget and is reproduced below.

Pursuant to 1994's Proposal A and related legislation, annual taxable value growth is capped, by state constitution, to 5% or the rate of inflation whichever is less. In the year when property sells, the taxable value becomes uncapped and equals to SEV.

In future years, significant improvements to taxable value will include the Lake Pointe condominiums (32); the remaining Harbor Steel/East Village Redevelopment (\$2,000,000 of new commercial development and 43 condominiums); the Rite Aid Relocation and the Norm Beebe Victorian Village Property Redevelopment (29 condominiums). Some reductions in taxable value have occurred with various business and industrial changes during the fiscal year herein reported: Phoenix Deli Cafe.

Fiscal Year	Real and	TIFA Capture	Total	Percentage
	Personal			
2001	63,245,498	13,044,526	76,290,024	
2002	66,576,446	14,950,729	81,527,175	6.9%
2003	69,050,368	13,436,154	82,486,522	1.2%
2004	71,575,297	14,382,156	85,957,453	4.2%
2005	79,253,537	14,441,540	93,666,077	9.0%

ii) State Shared Revenue

State shared revenue is the second largest source of revenue for the General Fund. If represents 18 % of General Fund revenue. State shared revenue is made of two components and based on the State sales tax rate of 6 %. The constitutional component is based on the former 4% sales tax. This portion cannot be adjusted by the legislature. This total was \$169,727 in fiscal year 2005. The statutory component is based on the additional 2 % added to the state sales tax and can be adjusted by the state legislature. This total was \$41,157 in fiscal year 2005. In

both components, the overall distribution is dependent on the collection of the State sales taxes. When the economy and sales diminish, the revenue stream is reduced. When the economy and sales improve, revenue increases. Therefore, the Village of Spring Lake's General Fund is partially dependent on the overall State of Michigan economy.

In preparing the annual budgets, Village Administration uses the Michigan Department of Treasury's estimates as published on their web site. The current fund balance will enable the Village to weather any likely reductions in Fiscal Year 2006 state shared revenue, however, conservative estimates for the future are needed. The statutory share of \$41,157 is at significant risk in future state budgets.

iii) Utility and Other Major Revenue

Utility charges will likely increase, especially for water debt. Increased water debt will drive the debt service charge up as the NOWS facilities are upgraded in the next few years.

Tanglefoot Park hosts over thirty recreational vehicles and twenty boat slips. Together these activities produced \$79,693 in FY 05. This represents the revenue equivalent of one mill and is 6.6% of total revenue. Cable TV franchise fees resulted in \$28,431 of revenue in FY 05. This represents almost one half mill of revenue and 2.4% of total revenue. Changes in the cable industry associated with wireless technology could reduce this amount in the near future.

8) Contacting the Village's Financial Management Staff

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives.

If you have questions about this report or need additional financial information, contact us at 102 W. Savidge, Spring Lake, MI 49456, or call us at 616 842-1393 or email us at the addresses noted below:

Ryan Cotton Village Manager ryan@springlakevillage.org

Maribeth Lawrence Village Clerk/Treasurer maribeth@springlakevillage.org

Government-Wide Financial Statements

Government-Wide Financial Statements Statement of Net Assets

	Primary Government			
	Governmental	Business-Type		
June 30, 2005	Activities	Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 1,804,292	\$ 103,530	\$ 1,907,822	
Accounts receivable	290,156	23,702	313,858	
Internal balances	(15,336)	15,336	515,656	
Prepaid expenses	3,247	13,550	3,247	
Restricted cash (Note 3)	3,247	10,076	10,076	
Capital assets not being depreciated (Note 5)	2,006,671	8,092	2,014,763	
Capital assets, net of accumulated	2,000,071	3,072	2,014,703	
depreciation (Note 5)	3,821,419	4,708,911	8,530,330	
	5,5-2,12	.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		
Total Assets	7,910,449	4,869,647	12,780,096	
Liabilities				
Accounts payable	400,622	45 227	445.040	
Accrued liabilities	52,963	45,327 27,001	445,949 79,964	
Noncurrent liabilities (Note 7):	32,903	27,001	79,904	
, ,	100 000	107 152	251.041	
Due within one year Due in more than one year	123,888	127,153	251,041	
Due in more than one year	2,627,544	1,000,699	3,628,243	
Total Liabilities	3,205,017	1,200,180	4,405,197	
Net Assets				
Invested in capital assets, net of related debt	3,116,822	3,589,151	6,705,973	
Restricted for:	3,110,022	3,367,131	0,703,973	
Public safety	140,655	_	140,655	
Public works	208,595	_	208,595	
Cultural and recreation	617,072	_	617,072	
Debt service	101,433	-	101,433	
Capital projects	101,733	10,076	101,433	
Unrestricted	520,855	70,240	591,095	
Total Net Assets	\$ 4,705,432	\$3,669,467	\$ 8,374,899	

Government-Wide Financial Statements Statement of Activities

		Program Revenues		•	Expense) Revenue nanges in Net As		
		Operating			Primary Government		
		Charges for	•	ts and	Governmental	Business-Type	
Year ended June 30, 2005	Expenses	-	Contrib	utions	Activities	Activities	Total
Functions/Programs Primary Government Governmental activities: General government	\$ 543,506	\$ 153,405	\$ 33	,610	\$ (356,491)	\$ -	\$ (356,491)
Public safety	873,307	22,057		,587	(150,663)	.	
Public safety Public works	•	22,037		•	, , ,	-	(150,663)
Cultural and recreation	412,972	94 229		,850	(128,122)	-	(128,122)
Other	306,403 355,247	84,328	121	,159	(100,916) (355,247)	-	(100,916) (355,247)
Interest and fiscal charges	•	-		•			, ,
	91,515	-			(91,515)		(91,515)
Total governmental activities	2,582,950	259,790	1,140	,206_	(1,182,954)	-	(1,182,954)
Business-type activities: Water Sewer	459,784 262,967	349,655 242,024		-	- -	(110,129) (20,943)	(110,129) (20,943)
Total business-type activities	722,751	591,679			-	(131,072)	(131,072)
Total Primary Government	\$3,305,701	\$ 851,469	\$1,140	,206	(1,182,954)	(131,072)	(1,314,026)
	Property ta: Property ta: Other taxes Unrestricted	xes levied for a xes levied for a xes other	debt servi	-	824,457 81,447 911,067 210,884 38,151	3,703	824,457 81,447 911,067 210,884 41,854
	Transfers				78,583	(78,583)	
	Total general	revenues and	transfers		2,144,589	(74,880)	2,069,709
	Change in net	assets			961,635	(205,952)	755,683
	Net Assets, b	eginning of ye	ar,		3,743,797	3,875,419	7,619,216
	Net Assets, en	nd of year			\$4,705,432	\$3,669,467	\$8,374,899

Fund Financial Statements

			Special 1	Revenue Fund	ds
		Major	Local	Police	
June 30, 2005	General	Street	Street	Department	TIFA
Assets					
1223	\$ 204,680	\$ 127,182	\$49,781	\$ 148,538	\$ 624,876
Cash and investments (Note 3) Accounts receivable	\$ 204,680 88,040	28,087	7,230	3,801	134,378
Due from other funds (Note 4)	88,040	28,087	7,230	3,801	134,376
· · ·	1 926	-	-	1 411	-
Prepaid expenditures	1,836	-		1,411	-
Total Assets	\$ 294,556	\$ 155,269	\$57,011	\$ 153,750	\$ 759,254
Liabilities and Fund Balances					
Liabilities:				0 0 (10	
Accounts payable	\$ 17,528	\$ 1,775	\$ 1,047	\$ 2,612	\$ 336,006
Due to other funds (Note 4)	-	-	-	-	-
Accrued liabilities	7,091	488	375	9,072	-
Total liabilities	24,619	2,263	1,422	11,684	336,006
Fund balances					
Reserved for:					
Prepaid expenditures	1,836	_	_	1,411	-
Debt service	, <u>-</u>	_	-		_
Unreserved:					
Reported in General Fund	268,101	_	-	-	-
Reported in Special Revenue Funds	-	153,006	55,589	140,655	423,248
Reported in Capital Projects Fund		-	-	<u>-</u>	-
Total fund balances	269,937	153,006	55,589	142,066	423,248
Total Liabilities and Fund Balances	\$ 294,556	\$ 155,269	\$57,011	\$ 153,750	\$ 759,254

Governmental Funds Balance Sheet

Other Governmental Funds	Total Governmental Funds
\$ 392,402 28,167 3,734	\$1,547,459 289,703 3,734 3,247
\$ 424,303	\$1,844,143
\$ 38,042	\$ 397,010
3,734 4,681	3,734 21,707
46,457	422,451
-	3,247
132,550	132,550
-	268,101
211,824	984,322
33,472	33,472
377,846	1,421,692
\$ 424,303	\$1,844,143

Reconciliation of Fund Balance of Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets

June 30, 2005	
Total fund balances - total governmental funds	\$ 1,421,692
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Capital assets, at cost	12,032,599
Accumulated depreciation	(6,204,509)
Net capital assets	5,828,090
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	238,200
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Balances are as follows:	
Compensated absences	(6,692)
Bonds payable	(2,744,740)
Accrued interest on bonds	(31,118)
Net Assets of Governmental Activities	\$ 4.705.432

			Special Revenue Funds				
Year ended June 30, 2005		General		Major Street	Local Street	Police Department	TIFA
Revenues							
Taxes	\$	769,624	\$	71,802	\$ -	\$ -	\$ 841,453
Intergovernmental	•	210,884		228,826	56,024	7,512	272,750
Licenses and permits		3,973		´ -	´ -	-	-
Charges for services		142,064		-	-	_	-
Investment earnings		2,732		1,641	905	1,426	19,232
Contributions and reimbursements		4,328		•	-	414,940	2,828
Other		23,384			-	2,557	_
Total revenues		1,156,989		302,269	56,929	426,435	1,136,263
Expenditures							
Current:							
General government		304,889		-	-	-	125,974
Public safety		9,753		-	-	864,468	_
Public works		189,621		109,218	98,739	-	-
Cultural and recreation		201,659		-	-	-	7,079
Other		2,749		-	-	-	251
Debt service		-		-	-	-	23,069
Interest and other charges		-		-	-	-	233
Capital outlay				75,502	900	-	443,678
Total expenditures		708,671		184,720	99,639	864,468	600,284
Excess (deficiency) of revenues over expenditures		448,318		117,549	(42,710)	(438,033)	535,979
Other Financing Sources (Uses)							
Transfers in		41,500		-	62,000	467,908	-
Transfers out		(469,908)		(51,000)	-	-	(293,638)
Net other financing sources (uses)		(428,408)		(51,000)	62,000	467,908	(293,638)
Net change in fund balances		19,910		66,549	19,290	29,875	242,341
Fund Balances, beginning of year		250,027	-	86,457	36,299	112,191	180,907
Fund Balances, end of year	\$	269,937	\$	153,006	\$ 55,589	\$ 142,066	\$ 423,248

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances

Other Governmental	Total Governmental
Funds	Funds
\$ 134,092	\$1,816,971
\$ 154,092	775,996
55,005	58,978
-	142,064
6,925	32,861
24,142	446,238
126,299	152,240
346,463	3,425,348
46,998	477,861
-	874,221
-	397,578
70,491	279,229
-	3,000
339,760	362,829
127,020	127,253
16,667	536,747
600,936	3,058,718
(254,473)	366,630
340,721	912,129
(19,000)	(833,546)
321,721	78,583
67,248	445,213
310,598	976,479
\$ 377,846	\$1,421,692

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year ended June 30, 2005	
Net change in fund balances - total governmental funds	\$ 445,213
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Capital outlay Depreciation expense	184,500 (143,165)
Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	362,829
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Accrued interest Compensated absences	35,738 (6,692)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of the internal service funds is reported in governmental activities.	83,212
Change in Net Assets of Governmental Activities	\$ 961,635

Proprietary Funds Statement of Net Assets

	Business-Type Ac Enterprise Fur Water Sewe				
June 30, 2005	Department			Interna Service Funds	
Assets					
Current assets:					
Cash and investments (Note 3)	\$ 444	\$ 103,086	\$ 103,530	\$256,833	
Restricted cash (Note 3)	10,076	-	10,076	-	
Accounts receivable	4,506	19,196	23,702	453	
Total current assets	15,026	122,282	137,308	257,286	
Noncurrent assets:					
Capital assets, net of accumulated depreciation (Note 5)	3,814,801	902,202	4,717,003	270,803	
capital assets, not of accumulated depreciation (1voic 3)	3,014,001	702,202	4,717,003	270,003	
Total Assets	3,829,827	1,024,484	4,854,311	528,089	
Liabilities Current liabilities:					
Accounts payable	33,542	11,785	45,327	3,611	
Accrued liabilities	831	816	1,647	139	
Accrued interest payable	25,354	-	25,354	-	
Current portion of long-term liabilities (Note 7)	127,153		127,153	-	
Total current liabilities	186,880	12,601	199,481	3,750	
Noncurrent liabilities, net of current portion (Note 7)	1,000,699		1,000,699	· · · · · · · · · · · · · · · · · · ·	
Total Liabilities	1,187,579	12,601	1,200,180	3,750	
Net Assets					
Invested in capital assets, net of related debt	2,686,949	902,202	3,589,151	270,803	
Unrestricted	(44,701)	109,681	64,980	253,536	
Total Net Assets	\$2,642,248	\$ 1,011,883	3,654,131	\$524,339	
Adjustment to reflect consolidation of internal service			15.005		
fund activities related to enterprise funds.			15,336		
Net Assets of Business-Type Activities			\$3,669,467		

Proprietary Funds Statement of Revenues, Expenses and Changes in Fund Net Assets

	Busine E	Governmental Activities -		
	Water	Sewer		Internal
Year ended June 30, 2005	Department	Department	Total	Service Funds
Operating Revenues				
Charges for services	\$ 348,925	\$ 241,425	\$ 590,350	\$ 256,715
Interest and penalties	625	599	1,224	5,668
Other	105		105	250
Total operating revenues	349,655	242,024	591,679	262,633
Operating Expenses				
Personnel services	59,258	50,949	110,207	12,001
Materials and supplies	229,413	129,323	358,736	98,670
Benefit payments and refunds	17,551	15,971	33,522	3,949
Depreciation	120,978	40,940	161,918	71,800
Other	5,675	14,104	19,779	17,664
Total operating expenses	432,875	251,287	684,162	204,084
Operating income (loss)	(83,220)	(9,263)	(92,483)	58,549
Nonoperating Revenues (Expenses)				
Investment earnings	1,152	2,551	3,703	-
Gain (loss) on disposal of assets	-	-	-	5,013
Interest expense and charges	(18,562)	_	(18,562)	(378)
Total nonoperating revenues (expenses)	(17,410)	2,551	(14,859)	4,635
Income (loss) before transfers	(100,630)	(6,712)	(107,342)	63,184
Transfers out	(71,583)	(7,000)	(78,583)	
Change in net assets	(172,213)	(13,712)	(185,925)	63,184
Net Assets, beginning of year	2,814,461	1,025,595		461,155
Net Assets, end of year	\$2,642,248	\$1,011,883		\$ 524,339

Adjustment to reflect the current year effect for the consolidation of internal service fund activities related to enterprise funds.

(20,027)

\$ (205,952)

Proprietary Funds
Statement of Cash Flows

	Busin	Governmental Activities -		
	Water	Sewer		Internal
Year ended June 30, 2005	Department	Department	Total	Service Funds
Cash Flows From Operating Activities				
Receipts from customers	\$ 350,807	\$ 244,576	\$ 595,383	\$ -
Payments to suppliers	(260,920)	(140,511)	(401,431)	(73,857)
Payments to employees	(59,258)	(50,949)	(110,207)	(12,001)
Benefit payments	(17,551)	(15,971)	(33,522)	(3,949)
Other payments	-	-	-	5,918
Payments from (for) interfund services used	(6,500)	(14,060)	(20,560)	256,715
Net cash from operating activities	6,578	23,085	29,663	172,826
Cash Flows for Capital and Related Financing Activities				5.012
Proceeds from sale of capital assets	00.250	-	00.250	5,013
Proceeds from bonds payable	90,259	(17.400)	90,259	(22.10()
Principal paid on long-term debt	(122,584)	(17,420)	(140,004)	(23,186)
Interest paid	(18,562)	-	(18,562)	(378)
Purchase of capital assets	(7,870)		(7,870)	(123,443)
Net cash for capital and related financing activities	(58,757)	(17,420)	(76,177)	(141,994)
Cash Flows From Investing Activity				
Investment earnings	1,152	2,551	3,703	<u> </u>
Net Increase (Decrease) in Cash and Investments	(51,027)	8,216	(42,811)	30,832
Cash and Investments, beginning of year	61,547	94,870	156,417	226,001
Cash and Investments, end of year	\$ 10,520	\$ 103,086	\$ 113,606	\$ 256,833

Proprietary Funds Statement of Cash Flows

		Busi	Governmental				
			Α	ctivities -			
		Water		Sewer			Internal
Year ended June 30, 2005	De	partment	1	Department	Total	Serv	ice Funds
Reconciliation of Operating Income to Net Cash From							
Operating Activities							
Operating income (loss)	\$	(83,220)	\$	(9,263)	(92,483)	\$	58,549
Adjustments to reconcile operating income (loss) to		, ,			, , ,		,
net cash from operating activities:							
Depreciation expense		120,978		40,940	161,918		71,800
Intergovernmental		(71,583)		(7,000)	(78,583)		-
Changes in assets and liabilities:		, , ,					
Accounts receivable		9,429		12,826	22,255		42,154
Accounts payable		22,228		(12,697)	9,531		786
Deposits		(375)		-	(375)		-
Accrued liabilities		9,121		(1,721)	7,400		(463)
Net Cash From Operating Activities	\$	6,578	\$	23,085 \$	5 29,663	\$	172,826

Fiduciary Fund Statement of Fiduciary Net Assets

	Agency Fund
\$	
\$	-
	<u>-</u>
•	_

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The Reporting Entity

The accompanying financial statements present the Village of Spring Lake (the Village) and its component units, entities for which the Village is financially accountable.

Blended Component Units

The basic criterion for including another entity in the Village's financial statements is the exercise of oversight responsibility by the Village's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. Accordingly, the Village has included the Tax Increment Financing Authority, Spring Lake/Ferrysburg Police Department and the Central Business District Development Authority in its basic financial statements.

This report does not include the operations of the Spring Lake Economic Development Commission (EDC), which was inactive during fiscal 2005. The treatment of the Grand Haven/Spring Lake Sewer Authority and the Northwest Ottawa Water System is discussed in Note 6.

Basis of Presentation

Government-wide financial statements: The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

Notes to Financial Statements

Fund financial statements: The fund financial statements provide information about the Village's funds. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available, it is the Village's policy to use restricted resources first.

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government except those that are required to be accounted for in another fund.

The Major and Local Streets Special Revenue Funds account for the maintenance and construction of all major streets, trunk lines and local streets. Revenues are generated from PA51 State Shared Gas and Weight Taxes and charges for services.

The Spring Lake/Ferrysburg Police Department Special Revenue Fund accounts for specific revenue set aside for the purpose of providing safety protection for people within the Village. Revenues are generated through state grants, intergovernmental contributions and General Fund appropriations.

The Tax Increment Financing Authority Special Revenue Fund accounts for specific revenues set aside for the purpose of constructing public improvements required to attract private investment and promote retail commercial and industrial business activity within the Village. Revenues are generated by the collection of taxes.

Notes to Financial Statements

The Village reports the following major enterprise funds:

The Water Fund accounts for the operation and maintenance, capital additions, improvements and retirement of revenue bonds of the water supply system. Financing is provided primarily by user charges.

The Sewer Fund accounts for the operation and maintenance, capital additions, improvements and retirement of bonds of the sewage disposal system. Financing is provided primarily by user charges.

Additionally, the Village reports the following funds:

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The Village has four debt service funds: 2000 Street, Water, 2003 Village Hall and Downtown Development.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise Funds). The Village has one capital projects fund: 2003 Village Hall.

Internal Service Funds are used to account for central equipment and police equipment provided to other departments and funds on a cost reimbursement basis. The Village has two internal service funds: Central Equipment and Police Equipment.

Agency Fund accounts for money held by the Village in trust for other local units of government.

Measurement Focus and Basis of Accounting

Government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Notes to Financial Statements

The government-wide and proprietary fund financial statements follow applicable accounting and financial reporting standards of the Financial Accounting Standards Board issued through November 30, 1989, unless those pronouncements conflict with Governmental Accounting Standards Board pronouncements. The village has elected not to apply FASB pronouncements issued after November 30, 1989 for enterprise funds.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the Village considers revenues to be available if they are collected within 90 days of the end of the current fiscal period except taxes, which must be collected within 60 days. Taxes, intergovernmental revenues and interest associated with the current period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

Budgets and Budgetary Controls

The budgetary data reflected in the financial statements is established by the Village using the procedures outlined as follows:

- Prior to February, the Village Manager and the Village Council develop an initial schedule of goals and objectives for the next year.
- During February, the various department heads develop spending plans which are based upon anticipated needs. These plans are then modified for the Manager's projections and are consolidated into a preliminary budget plan.
- During April, the plan is subjected to revision by the Council as considered necessary and is then formalized as a preliminary budget resolution.

Notes to Financial Statements

- Prior to the end of June, a public hearing is held and the resolution is adopted.
- The budget is integrated with the accounting system and is used as a management control device during the year. The Village Manager is authorized to transfer budgeted amounts between accounts within the same department of any fund. Transfers between departments and funds must be approved by the Village Council.
- Budgets for the General, Special Revenue, Debt Service and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles. Unexpended appropriations lapse at year-end.
- Budgeted amounts are as originally adopted or as amended by the Village Council during the fiscal year. Individual amendments were not material in relation to the original appropriations.

Cash and Investments

Cash resources of the individual funds are combined to form a pool of cash and investments which is managed by the Village Clerk/Treasurer. Investments consist primarily of money market mutual funds. Investments are carried at fair value. Interest income earned as a result of cash pooling is distributed to the appropriate funds, based on their average monthly balance during the year.

For purposes of the statement of cash flows, all investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Capital Assets

Capital assets, which include infrastructure, property, buildings and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Assets having a useful life in excess of three years and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated fixed assets are stated at their market value as of the donation date. Infrastructure assets, including roads, bridges and underground pipe, are included.

Notes to Financial Statements

Depreciation is recorded in the government-wide and proprietary fund financial statements using the straight-line method over the estimated useful lives of the related assets as follows:

	Years
Lift station	30
Machinery and equipment	3-15
Water mains	50
Sewer service mains	50

Interfund Obligations

The due from and due to other funds, reflected in the fund financial statements, are amounts owed for goods or services rendered and include only short-term obligations on open account.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governments.

Property Taxes

Village property taxes are attached as an enforceable lien on property as of July 1. Real property taxes not collected as of March 1 are turned over for collection to Ottawa County, which later advances the Village 100% of these delinquent taxes. Collection of the delinquent personal property taxes remains the responsibility of the Village Treasurer.

Notes to Financial Statements

The taxable value of real and personal property located in the Village totaled \$86,040,346. The tax levy for that year was based on the following rates:

	Millage Rate Used	Authorized Millage Rate by State Law or Village Charter
General operating (including Harbor Transit)	10.4839	20.0000
Debt service	2.6780	As required for debt service
Total Levy	13.1619	

Compensated Absences

Village employees earn vacation in varying amounts, based on length of service. Unused vacation time does not accumulate from year to year without specific approval of the Village Manager. In the Fund financial statements, only the matured liability for compensated absences is reported. The total liability is reported in the government-wide financial statements.

Sick leave is accumulated at the rate of one day per month of employment. Unused sick leave accumulates from year to year to a maximum of 700 hours of sick leave. Sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. It is the Village's policy to recognize the cost of sick leave at the time payments are made.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Notes to Financial Statements

2. Compliance

Expenditures Over Appropriations

P.A. 621 of 1978 provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2005 the Village incurred expenditures in certain budgeted funds that were in excess of the amounts appropriated. Available revenues or fund balance funded the following over-expenditures:

Fund	Approp	riated	Е	expended	Expen	Excess ditures
Special Revenue Funds:						
Building department	\$ 4	1,579	\$	45,028	\$	3,449
Historic Commission		435		1,921		1,486
Debt Service Funds:				,		,
Downtown Development Authority	23	1,638		234,549		2,911
	\$ 27	3,652	\$	281,498	\$	7,846

3. Cash, Deposits and Investments

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Village's deposits might not be recovered. The Village does not have a deposit policy for mitigating custodial credit risk. At June 30, 2005, the Village's bank balance was \$905,832 of which \$789,732 was exposed to custodial credit risk since it was uninsured and uncollateralized.

Investments

At June 30, 2005, the Village had the following investment:

		Moody's	
June 30, 2005	Maturity	Rating	Fair Value
Governmental Money Market Fund	7/01/05	AAA	\$ 1,565,479

Notes to Financial Statements

Interest Rate Risk

The Village does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk Related to Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments that are in the possession of an outside party. At June 30, 2005, the Village had no investments that were subject to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Village does not have an investment policy to mitigate credit risk.

Concentration of Credit Risk

The Village does not have an investment policy that limits the amount that may be invested in any one issuer. The Village minimizes concentration of credit risk by investing primarily in U.S. government guaranteed investments. Excluding U.S. government guaranteed and money market funds, no single investment exceeded 5% of total investments at June 30, 2005.

4. Interfund Activity

Transfers between funds during the year ended June 30, 2005 were as follows:

Fund	Tı	ansfers In	Transfers Out		
General Fund	\$	41,500	\$	469,908	
Special Revenue Funds:		•		ŕ	
Major Street		-		51,000	
Local Street		62,000			
Police Department		467,908		-	
TIFA		-		293,638	
Proprietary Funds:					
Water		-		71,583	
Sewer		-		7,000	
Nonmajor Governmental Funds		340,721	-	19,000	
General Fund Special Revenue Funds: Major Street Local Street Police Department TIFA Proprietary Funds: Water Sewer	\$	912,129	\$	912,129	

Notes to Financial Statements

Interfund balances at June 30, 2005 are as follows:

Fund		nterfund ceivable	 nterfund Payable
r una	ICC	Jervable	 rayable
Nonmajor Governmental Funds	\$	-	\$ 3,734
Nonmajor Governmental Funds		3,734	
	\$	3,734	\$ 3,734

5. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

		Balance						Balance
	July 1, 2004 Additions		R	Retirements		ne 30, 2005		
Governmental Activities								
Capital assets not depreciated:								
Land	\$	2,006,671	\$	-	\$	-	\$	2,006,671
Capital assets being depreciated:								
Land improvements		755,925		184,500		-		940,425
Buildings and improvements		2,473,700		-		80,000		2,393,700
Machinery and equipment		231,602		46,551		-		278,153
Motor vehicles		229,284		76,893		23,231		282,946
Infrastructure		6,130,704						6,130,704
Totals at historical cost		11,827,886		307,944		103,231		12,032,599
Less accumulated depreciation for:								
Land improvements		260,427		32,246		<u>-</u>		292,673
Buildings and improvements		359,763		57,045		80,000		336,808
Machinery and equipment		68,238		28,127		-		96,365
Motor vehicles		103,091		47,012		23,231		126,872
Infrastructure		5,301,258		50,533				5,351,791
Total accumulated depreciation		6,092,777		214,963		103,231		6,204,509
Governmental Activities -	•	6 72 6 100	e.	02.001	ø		ď	5 929 000
Net Capital Assets	\$	5,735,109	\$	92,981	\$		\$	5,828,090

Notes to Financial Statements

Depreciation expense was ch	harged to governmental	functions as follows:
-----------------------------	------------------------	-----------------------

General government						\$	113,350
Public safety							36,862
Public works							32,505
Cultural and recreation							32,246
Total Depreciation Expense			_			\$	214,963
		Balance					Balance
	J	uly 1, 2004		Additions	Retirements	Jur	ne 30, 2005
Business-Type Activities							
Capital assets not depreciated:							
Land	\$	8,092	\$	-	\$ -	\$	8,092
Capital assets being depreciated:							
General plant		4,305,562		7,871	-		4,313,433
Mains		1,981,282		-	-		1,981,282
Machinery and equipment		557,189					557,189
Totals at historical cost		6,852,125		7,871			6,859,996
Less accumulated depreciation for:							
General plant		1,292,510		86,000	-		1,378,510
Mains		460,196		46,986	-		507,182
Machinery and equipment		228,368		28,933			257,301
Total accumulated depreciation		1,981,074		161,919	-		2,142,993
Business-Type Activities -							
Net Capital Assets	\$	4,871,051	\$	(154,048)	\$ -	\$	4,717,003

6. Joint Ventures

Grand Haven/Spring Lake Sewer Authority

The Village is a member of the Grand Haven – Spring Lake Sewer Authority (the "Authority"). The Village can appoint two members to the joint venture's governing board, which then approves the annual budget. In the current year, the Village paid \$68,465 to the Authority for sewage treatment. The purpose of the Grand Haven-Spring Lake Sewer Authority is to acquire, own, improve, enlarge, extend, and operate a sewage disposal system. The Authority is governed by a Board of Trustees containing seven members. The

Notes to Financial Statements

participating communities (Cities of Grand Haven and Ferrysburg, Townships of Spring Lake and Grand Haven, Village of Spring Lake, and County of Ottawa) pay a set rate to the Authority to process waste. This rate includes amounts to finance the Authority's debt. The Village is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements can be obtained at Grand Haven City Hall (519 Washington Street).

Northwest Ottawa Water System

The Village is also a member of the Northwest Ottawa Water Treatment Plant. The Village appoints one member to the joint venture's governing board, which then approves the annual budget. In the current year, the Village paid \$139,680 to the plant to purchase water. The purpose of the Northwest Ottawa Water Treatment Plant is to acquire, construct, finance, operate, and maintain a water production facility. The plant is governed by an administrative committee composed of one representative from each of the participating communities (Cities of Grand Haven and Ferrysburg, Townships of Grand Haven and Spring Lake, and County of Ottawa). These participating communities pay for water at a rate that is estimated to cover operation, maintenance, replacement, and debt service. The Village is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements can be obtained at Grand Haven City Hall (519 Washington Street).

7. Long-Term Obligations

Changes in long-term liabilities for the year ended June 30, 2005 was as follows:

Balance			Balance	Due
July 1,			June 30,	Within
2004	Additions	Reductions	2005	One Year

Governmental Activities

3.6% to 4.7% Northwest Ottawa
Water Supply System Bonds
- 1998 refinancing to be
repaid with semi-annual
interest and principal
payments ranging from
\$93,888 to \$133,008

\$ 815,000 **\$** - **\$** 84,760 **\$** 730,240 **\$** 93,888

Notes to Financial Statements

	Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005	Due Within One Year
5.15% to 6.25% Downtown Development Bonds to be repaid with semi-annual interest and principal payment of \$225,000	\$ 225,000	\$ -	\$ 225,000	\$ - \$	-
4.9% to 7.0% 2000 Street Bonds to be repaid with semi-annual interest and annual principal payments ranging from \$20,000 to \$55,000	390,000	-	20,000	370,000	20,000
5.13% Retail Installment Contract, maturing \$5,836 monthly, including interest	23,069	-	23,069	-	-
2.50% to 4.75% 2003 General Obligation Capital Improvement Bond to be repaid with semi-annual interest and annual principal payment ranging from \$10,000 to \$155,000	1,445,000	-	10,000	1,435,000	10,000
2.9% Installment Contract - Fifth Third Bank, interest to be paid annually with full principal balance and remaining interest due July 1, 2007	209,500	-		209,500	
Retail Installment Contract, maturing at an average payment \$725	2,270	-	2,270	-	_
Retail Installment Contract, maturing at an average payment \$2,123	20,916	-	20,916	-	-
Compensated absences	_	6,692		6,692	
Total Long-Term Liabilities Governmental Activities	\$ 3,130,755	\$ 6,692	\$ 386,015	\$ 2,751,432 \$	123,888

Notes to Financial Statements

	В	alance July 1, 2004	Additions	Reductions		Balance June 30, 2005	Due Within One Year
Business-Type Activities							
5.0% to 7.4% Northwest Ottawa Water Treatment Plant Refunding Bonds to be repaid with semi-annual interest and principal payments ranging from \$43,829 to \$50,219	\$	283,512	\$	\$ 50,219	\$	233,293	\$ 49,306
6.5% to 9.5% Northwest Ottawa Water Treatment System Bonds - Series 1989 to be repaid with semi-annual interest and principal payments ranging from \$46,716 to \$65,265		320,829		43,281		277,548	46,716
6.8% to 7.6% Northwest Ottawa County Series 1989 Refunding Bonds to be repaid with semi- annual interest and principal payments ranging from \$23,188 to \$26,350		279,310	-	22,134		257,176	23,188
3.6% to 4.3% Grand Haven/Spring Lake Sewer Authority 1998 Series B Bonds to be repaid with semi-annual interest and principal payment of \$17,420		17,420	-	17,420		-	-
4.6% to 5.2% Ottawa County 2002 Water Supply Bonds to be repaid with semi-annual interest and principal payments ranging from \$7,943 to \$29,787		276,526	-	6,950		269,576	7,943
3.05% to 4.25% Northwest Ottawa Water Supply System 2005 Lake Michigan intake No. 2 improvements bonds with semi- annual interest and annual principal payments ranging from \$4,559 to \$10,029		_	90,259			90,259	
Total Long-Term Liabilities - Business-Type Activities	\$	1,177,597	\$ 90,259	\$ 140,004	\$ 1,		S 127,153

Notes to Financial Statements

The General Long-Term Obligation bonds are backed by the full faith and credit of the Village. Current debt service requirements are funded by Village property tax revenues and are accounted for in the related Debt Service Funds.

In 1989, bonds in the amount of \$2,035,000 were issued by Ottawa County on behalf of the Northwest Ottawa Water System to construct transmission mains. The Village has assumed responsibility for the retirement of 21.08% of this obligation.

The Village is obligated for 13.74% of \$4,980,000 in 1989 general obligation bonds issued by Ottawa County on behalf of the Northwest Ottawa Water System.

The Village is also obligated for 9.1308% of \$8,380,000 in 1986 refunding bonds issued by Ottawa County on behalf of the Northwest Ottawa Water System for the construction of the original water system. The Village's obligation included a one-time catch-up payment of \$436,734 to participating entities for prior principal and interest repayments on the issue.

The Ottawa County Water Supply Bonds (Village of Spring Lake System) were issued pursuant to the provisions of Act 342, Public Acts of Michigan, 1939, as amended, and pursuant to a resolution adopted by the Board of Commissioners of the County of Ottawa for the purpose of paying the cost of constructing water system improvements to service the Village. Ottawa County and the Village have entered into a contract in which the Village has agreed to pay the County for the principal and interest on the bonds as they become due and payable. Current debt service payments are funded by rates and charges for the use of the system and by ad valorem taxes.

In 2005, bonds in the amount of \$990,000 were issued by Ottawa County on behalf of the Northwest Ottawa Water System to perform improvements to intake No. 2. The Village has assumed responsibility for the retirement of 9.1171% of the obligation.

Notes to Financial Statements

The annual requirements to pay principal and interest on long-term obligations outstanding at June 30, 2005, are as follows:

	_	Governmen	tal	Activities	_	Business-Ty	pe A	e Activities		
Year ending June 30,		Principal		Interest		Principal		Interest		
2006	\$	333,388	\$	119,671	\$	127,153	\$	67,004		
2007		188,008		107,168		131,953		58,848		
2008		194,096		99,070		141,311		50,090		
2009		191,488		90,738		147,709		40,877		
2010		195,184		82,219		152,373		31,526		
2011 - 2015		522,576		318,636		238,626		84,695		
2016 - 2020		260,000		240,825		158,940		32,120		
2021 - 2025		455,000		164,171		29,787		1,899		
2026 - 2030		405,000		40,137		-		-		
	\$	2,744,740	\$	1,262,635	\$	1,127,852	\$_	367,059		

8. Retirement Plans

The Village has two retirement plans. These are money purchase plans with the ICMA Retirement Corp. One is a 401(a) qualified retirement program covering qualified employees, to which the Village is required to contribute 5% of the employees' gross wages. Each participating employee is required to contribute a minimum of 1%, but no more than 10%, of gross wages. Total contributions by the Village for the year ended June 30, 2005 were \$37,023. The second is a 457 qualified retirement plan covering the Village Manager, to which the Village is required to contribute 10% of the manager's gross wages. Total contributions by the Village for the year ended June 30, 2005 were \$6,939.

The Village also has a police officers' retirement program in which each participant is required to contribute an amount equal to the "tax on employees" for which the participant would otherwise be liable for if his or her compensation constituted "wages" under the Federal Insurance Contributions Act. The Village is required to make matching contributions to the plan. Total contributions by the Village for the year ended June 30, 2005 were \$26,582.

Notes to Financial Statements

9. Risk Management

The Village purchases insurance and participates in public entity risk pools for the various risks associated with Village operations.

The Village is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village obtains its liability insurance coverage as a member of the Michigan Municipal Liability and Property Pool (MMLPP), a public entity risk pool providing liability and property coverage to its participating members. The Village pays an annual premium to MMLPP for liability insurance coverage. The MMLPP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrences based coverage by internally insuring certain risks and reinsuring risks through commercial companies. A \$1,000 deductible is maintained to place the responsibility for small charges with the Village. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Village manages its workers' compensation risk by participating in the Michigan Municipal League Workers' Compensation Fund (MMLWCF), a public entity risk pool providing workers' compensation coverage to its participating members. The Village pays an annual premium to MMLWCF for its workers' compensation coverage. The MMLWCF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally insuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

10. Litigation

The Village is subject to various legal proceedings which normally occur in governmental operations. In the opinion of management and the Village attorney, the outcome of these lawsuits will not materially affect the financial condition of the Village and, accordingly, no provision for losses has been recorded.

Notes to Financial Statements

11. Commitments

As disclosed in Note 6, the Village is a member of the Grand Haven-Spring Lake Sewer Authority and the Northwest Ottawa Water Treatment Plant. The Village, along with the other participating communities, has pledged their full faith and credit for repayment of the outstanding debt of these entities. For all debt, the amount the Village is required to contribute to these entities for repayment of debt is not a fixed amount, but is based on the volume of sewage treated and water purchased and is included in the rate charged by these entities.

12. New Pronouncement

In 2005, the Village adopted the provisions of Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*.

Required Supplementary Information

General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance -Budget and Actual

Year ended June 30, 2005	Original Budget	Final Budget	Actual	Fina	nce With al Budget Positive Vegative)
Revenues					
Taxes	\$ 766,827	\$ 766,711	\$ 769,624	\$	2,913
Intergovernmental	220,320	220,320	210,884		(9,436)
Licenses and permits	3,750	3,253	3,973		720
Charges for services	130,100	130,100	142,064		11,964
Investment earnings	4,500	4,500	2,732		(1,768)
Contributions and reimbursements	6,000	8,000	4,328		(3,672)
Other	14,780	22,905	23,384		479
Total revenues	1,146,277	1,155,789	1,156,989		1,200
Expenditures					
Current:					
General government	298,371	312,459	304,889		7,570
Public safety	9,900	9,900	9,753		147
Public works	188,665	180,064	189,621		(9,557)
Cultural and recreation	216,705	216,211	201,659		14,552
Other	2,500	2,749	2,749		
Total expenditures	716,141	721,383	708,671		12,712
Excess of revenues over expenditures	430,136	434,406	448,318		13,912
Other Financing Sources (Uses)					
Transfers in	39,500	41,500	41,500		-
Transfers out	(468,908)	(469,908)	(469,908)		-
Net other financing sources (uses)	(429,408)	(428,408)	(428,408)		
Net change in fund balance	728	5,998	19,910		13,912
Fund Balance, beginning of year	250,027	250,027	250,027		-
Fund Balance, end of year	\$ 250,755	\$ 256,025	\$ 269,937	\$	13,912

Major Street Special Revenue Fund Schedule of Revenues, Expenditures and Changes in Fund Balance -Budget and Actual

				riance with nal Budget
	Original	Final		Positive
Year ended June 30, 2005	Budget	Budget	Actual	 (Negative)
Revenues				
Taxes	\$ 71,866	\$ 71,866	\$ 71,802	\$ (64)
Intergovernmental	220,648	225,648	228,826	3,178
Investment earnings	1,000	1,000	1,641	641
Total revenues	293,514	298,514	302,269	3,755
Expenditures Current:				
Public works	121,357	116,918	109,218	7,700
Capital outlay	121,337	97,864	75,502	22,362
Capital outlay	121,137	37,004	75,502	 22,302
Total expenditures	242,514	214,782	184,720	 30,062
Excess of revenues over expenditures	51,000	83,732	117,549	33,817
Other Financing Use				
Transfers out	(51,000)	(51,000)	(51,000)	
Net change in fund balance	-	32,732	66,549	33,817
Fund Balance, beginning of year	86,457	86,457	86,457	
Fund Balance, end of year	\$ 86,457	\$119,189	\$153,006	\$ 33,817

Local Street Special Revenue Fund Schedule of Revenues, Expenditures and Changes in Fund Balance -Budget and Actual

Year ended June 30, 2005	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 45,000	\$ 45,000	\$ 56,024	\$ 11,024
Investment earnings		<u> </u>	905	905
Total revenues	45,000	45,000	56,929	11,929
Expenditures				
Current:				
Public works	107,000	102,400	98,739	3,661
Capital outlay	-	-	900	(900)
Total expenditures	107,000	102,400	99,639	2,761
Deficiency of revenues over expenditures	(62,000)	(57,400)	(42,710)	14,690
Other Financing Source				
Transfers in	62,000	62,000	62,000	
Net change in fund balance	-	4,600	19,290	14,690
Fund Balance, beginning of year	36,299	36,299	36,299	<u>-</u>
Fund Balance, end of year	\$ 36,299	\$ 40,899	\$ 55,589	\$ 14,690

Police Department Special Revenue Fund Schedule of Revenues, Expenditures and Changes in Fund Balance -Budget and Actual

Year ended June 30, 2005	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 3,000	\$ 4,484	\$ 7,512	\$ 3,028
Investment earnings	500	500	1,426	926
Contributions	414,937	414,937	414,940	3
Other		-	2,557	2,557
Total revenues	418,437	419,921	426,435	6,514
Expenditures Current:				
Public safety	908,845	907,928	864,468	43,460
Deficiency of revenues over expenditures	(490,408)	(488,007)	(438,033)	49,974
Other Financing Source				
Transfers in	467,908	467,908	467,908	<u>-</u>
Net change in fund balance	(22,500)	(20,099)	29,875	49,974
Fund Balance, beginning of year	112,191	112,191	112,191	-
Fund Balance, end of year	\$ 89,691	\$ 92,092	\$142,066	\$ 49,974

Tax Increment Finance Authority Special Revenue Fund Schedule of Revenues, Expenditures and Changes in Fund Balance -Budget and Actual

Year ended June 30, 2005	Original Budget	Final Budget	Actual	F	riance with inal Budget Positive (Negative)
Revenues					
Taxes	\$ 633,898	\$ 642,913	\$ 841,453	\$	198,540
Intergovernmental	160,000	623,000	272,750		(350,250)
Investment earnings	5,000	5,000	19,232		14,232
Contributions and reimbursements	-	50,000	2,828		(47,172)
Other	50,000		-		-
Total revenues	848,898	1,320,913	1,136,263		(184,650)
Expenditures					
Current:					
General government	116,443	186,359	125,974		60,385
Cultural and recreation	322,000	93,500	7,079		86,421
Debt Service:		-			
Principal	23,069	23,069	23,069		-
Interest	246	246	233		13
Capital outlay	250,520	756,685	443,678		313,007
Other	<u> </u>	500	251	_	249
Total expenditures	712,278	1,060,359	600,284		460,075
Excess of revenues over expenditures	136,620	260,554	535,979		275,425
Other Financing Source					
Transfers out	(293,638)	(293,638)	(293,638)		
Net change in fund balance	(157,018)	(33,084)	242,341		275,425
Fund Balance, beginning of year	180,907	180,907	180,907		
Fund Balance, end of year	\$ 23,889	\$ 147,823	\$ 423,248	\$	275,425

Other Supplementary Information

General Fund

General Fund Schedule of Sources of Financial Resources

Year ended June 30, 2005	Final Budget				Variance Positive (Negative)	
Revenues						
Taxes:						
Property	\$	750,375	\$	752,655	\$	2,280
Penalty and interest on taxes		16,336		16,969		633
Total taxes		766,711		769,624		2,913
Intergovernmental:						
State shared revenues		220,320		210,884		(9,436)
Licenses and permits:						
Business licenses and permits		50		770		720
Liquor licenses		3,203		3,203		720
		,		0,200		
Total licenses and permits		3,253		3,973		720
Charges for services:						
Cable TV franchise fees		28,000		28,431		431
Cellular tower usage		12,000		12,000		-
Zoning fees		4,000		6,400		2,400
Housing inspection fees		2,000		3,360		1,360
Barber School rental		6,300		6,142		(158)
Tanglefoot Park rental		70,700		79,693		8,993
Other services		1,000		1,453		453
Launch ramp fees		6,000		4,635		(1,365)
NSF returned check fee		100		50		(50)
Community hall rental		-		(100)		(100)
Total charges for services		130,100		142,064		11,964
Investment earnings		4,500		2,732		(1,768)

General Fund Schedule of Sources of Financial Resources

Year ended June 30, 2005	Fina Budge	Actual	Variance Positive (Negative)		
Contributions and reimbursements:					
Park expense reimbursements Reimbursements	\$ 8,000	\$	4,472 (144)	\$	(3,528) (144)
Total contributions and reimbursements	8,000		4,328		(3,672)
Other:					
Leaf bag sales	80		79		(1)
Miscellaneous income	4,525		4,451		(74)
Fines, forfeitures and penalties	18,300		18,854		554
Total other	22,905		23,384		479
Total revenues	1,155,789	1,	156,989		1,200
Other Financing Source					
Transfers in	41,500		41,500		
Total Revenues and Other Financing Source	\$ 1,197,289	\$ 1,	198,489	\$	1,200

General Fund Schedule of Uses of Financial Resources

			Variance
	Final		Positive
Year ended June 30, 2005	Budget	Actual	(Negative)
Expenditures			
General government:			
Legal services	\$ 17,945	\$ 23,416	\$ (5,471)
Village Hall and grounds	50,195	45,340	4,855
Barber Street school building	17,813	16,727	1,086
Zoning/planning	40,016	40,848	(832)
Clerk/treasurer	85,118	80,787	4,331
Village Council	12,206	12,274	(68)
Village manager's office	89,166	85,484	3,682
Elections	_	13	(13)
The Land of the Control of the Contr	212.452	201.000	
Total general government	312,459	304,889	7,570
Public safety:			
Fire department	9,900	9,753	147
The department	2,700	7,755	
Public works:			
Administration	180,064	189,621	(9,557)
			, , , , , , , , , , , , , , , , , , , ,
Cultural and recreation:			
Tanglefoot Park	32,297	29,363	2,934
Park's maintenance	122,470	130,034	(7,564)
Community promotion	47,913	28,951	18,962
Recreation department	13,531	13,311	220
Total cultural and recreation	216,211	201,659	14,552
Other:			
Contingencies	2,749	2,749	
Total expenditures	721,383	708,671	12,712
Other Financing Hea			
Other Financing Use Transfers out	460.000	460.000	
Transfers out	469,908	469,908	
Total Expenditures and Other Financing Use	\$1,191,291	\$1,178,579	\$ 12,712
			<u> </u>

Nonmajor Governmental Funds

				S	Special Revenue		
					Downtown		Total
		Public	;	Historic	Development	Building	Special
June 30, 2005	In	provement	Co	nmission	Authority	Department	Revenue
Assets							
Cash and investments	\$	201,666	\$	3,065	\$ 5,465	\$ 12,701	\$ 222,897
Accounts receivable	•	26,878	Ψ	1,005	10	23	27,916
Due from other funds (Note 4)		20,070		-	-		
Total Assets	\$	228,544	\$	4,070	\$ 5,475	\$ 12,724	\$ 250,813
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$	34,020	\$	152	\$ -	\$ 3,870	\$ 38,042
Due to other funds (Note 4)		_		-	-	-	•
Accrued liabilities		700				247	947
Total liabilities		34,720	w.a.	152	-	4,117	38,989
Fund Balances							
Unreserved:							
Designated for debt service		_		_	-	-	_
Undesignated		193,824		3,918	5,475	8,607	211,824
Total fund balances		193,824		3,918	5,475	8,607	211,824
Total Liabilities and Fund Balances	\$	228,544	\$	4,070	\$ 5,475	\$ 12,724	\$ 250,813

Nonmajor Governmental Funds Combining Balance Sheet

Capital Debt Service Projects											
				2003	Do	wntown		Total		2003	Total
	2000			Village	Devel	lopment		Debt		Village	Nonmajor
	Street		Water			uthority		Service		Hall	Funds
			-								
\$	58,237	\$	46,034	\$ 28,093	\$	-	\$	132,364	\$	37,141	\$ 392,402
	105		81	-		-		186		65	28,167
_			<u> </u>	3,734				3,734			3,734
\$	58,342	\$	46,115	\$ 31,827	\$		\$	136,284	\$	37,206	\$ 424,303
\$	-	\$	-	\$ -	\$	-	\$	-	\$	-	\$ 38,042
	-		-	-		-		-		3,734	3,734
				3,734				3,734		-	4,681
				3,734				3,734		3,734	46,457
	58,342		46,115	28,093		_		132,550			132,550
	- 0,0		-			_		-		33,472	245,296
		_					_			23,172	2.5,270
_	58,342		46,115	28,093				132,550		33,472	377,846
\$	58,342	\$	46,115	\$ 31,827	\$	_	\$	136,284	\$	37,206	\$ 424,303

	Special Revenue							
			Downtown		Total			
	Public	Historic	Development	Building	Special			
Year ended June 30, 2005	Improvement	Commission	Authority	Department	Revenue			
Revenues								
Taxes	\$ 52,645	\$ -	\$ -	\$ -	\$ 52,645			
Licenses and permits	-	_	-	55,005	55,005			
Investment earnings	3,354	75	116	194	3,739			
Contributions and reimbursements	24,142	-	_	_	24,142			
Other	92,545	2,345	_	-	94,890			
Total revenues	172,686	2,420	116	55,199	230,421			
Expenditures								
Current:								
General government	_	1,921	49	45,028	46,998			
Cultural and recreation	70,491	, <u>-</u>	-	· -	70,491			
Capital outlay	_	_	_	-	· -			
Debt service:								
Principal	_	-	-	_				
Interest and other charges		_		-	_			
Total expenditures	70,491	1,921	49	45,028	117,489			
Excess (deficiency) of revenues over expenditures	102,195	499	67	10,171	112,932			
Other Financing Source (Use)								
Transfers in	2,000	-	-	-	2,000			
Transfers out	(17,000)		-	(2,000)	(19,000)			
Net other financing source (use)	(15,000)	-	-	(2,000)	(17,000)			
Net change in fund balances	87,195	499	67	8,171	95,932			
Fund Balances, beginning of year	106,629	3,419	5,408	436	115,892			
Fund Balances, end of year	\$ 193,824	\$ 3,918	\$ 5,475	\$ 8,607	\$211,824			

Nonmajor Governmental Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances

		Debt Serv	ice		Capital Projects	
		2003	Downtown	Total	2003	Total
2000		Village	Development	Debt	Village	Nonmajor
Street	Water	Hall	Authority	Service	Hall_	Funds
\$ 23,965	\$ -	\$ 57,482	\$ -	\$ 81,447	\$ -	\$ 134,092
-	1.024	150	-	- 2.146	1.040	55,005
953	1,034	150	9	2,146	1,040	6,925
-	-	29.540	-	29.540	2,860	24,142 126,299
		28,549		28,549	2,800	120,299
24,918	1,034	86,181	9	112,142	3,900	346,463
-	-	-	-	-	-	46,998
-	-	-	-	-		70,491
-	-	-	-	-	16,667	16,667
20,000	84,760	10,000	225,000	339,760	-	339,760
19,965	33,275	64,231	9,549	127,020	-	127,020
39,965	118,035	74,231	234,549	466,780	16,667	600,936
(15,047)	(117,001)	11,950	(234,540)	(354,638)	(12,767)	(254,473)
7,000	100,083	-	231,638	338,721	_	340,721
-		<u>-</u>	_			(19,000)
7,000	100,083	-	231,638	338,721	-	321,721
(8,047)	(16,918)	11,950	(2,902)	(15,917)	(12,767)	67,248
66,389	63,033	16,143	2,902	148,467	46,239	310,598
\$ 58,342	\$ 46,115	\$ 28,093	\$ -	\$ 132,550	\$ 33,472	\$ 377,846

Public Improvement Special Revenue Fund Schedule of Revenues, Expenditures and Changes in Fund Balance -Budget and Actual

Year ended June 30, 2005	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Taxes	\$ 51,712	\$ 52,645	\$ 933
Investment earnings	2,000	3,354	1,354
Contributions and reimbursements	30,000	24,142	(5,858)
Other	102,280	92,545	(9,735)
Total revenues	185,992	172,686	(13,306)
Expenditures Current: Cultural and recreation	173,492	70.401	102 001
Cultural and recreation	173,492	70,491	103,001
Excess of revenues over expenditures	12,500	102,195	89,695
Other Financing Source (Use) Transfers in Transfers out	1,000 (17,000)	2,000 (17,000)	1,000
Net Other Financing Source (Use)	(16,000)	(15,000)	1,000
Net change in fund balance	(3,500)	87,195	90,695
Fund Balance, beginning of year	106,629	106,629	
Fund Balance, end of year	\$ 103,129	\$ 193,824	\$ 90,695

Historic Commission Special Revenue Fund Schedule of Revenues, Expenditures and Changes in Fund Balance -Budget and Actual

Year ended June 30, 2005	Final Budget	Actual	Variance Positive legative)
Revenues			
Investment earnings	\$ -	\$ 75	\$ 75
Other	505	 2,345	 1,840
Total revenues	505	2,420	1,915
Expenditures			
Current:			
General government	435	1,921	(1,486)
Excess of revenues over expenditures	70	499	429
Fund Balance, beginning of year	 3,419	 3,419	
Fund Balance, end of year	\$ 3,489	\$ 3,918	\$ 429

Downtown Development Authority Special Revenue Fund Schedule of Revenues, Expenditures and Changes in Fund Balance -Budget and Actual

Year ended June 30, 2005	Final Budget	Actual	Variance Positive (Negative)
Revenues Investment earnings	\$ -	\$ 116	\$ 116
Expenditures Current: General government	75	49	26
Excess (deficiency) of revenues over expenditures	(75)	67	142
Fund Balance, beginning of year	5,408	5,408	
Fund Balance, end of year	\$ 5,333	\$ 5,475	\$ 142

Building Department Special Revenue Fund Schedule of Revenues, Expenditures and Changes in Fund Balance -Budget and Actual

Year ended June 30, 2005		Final Budget	Actual		Variance Positive Vegative)
Revenues					
Licenses and permits	\$	32,500	\$ 55,005	\$	22,505
Investment earnings	Ψ	-	194	Ψ	194
Total revenues		32,500	55,199		22,699
Expenditures					
Current:					
General government		41,579	45,028		(3,449)
Excess (deficiency) of revenues over expenditures		(9,079)	10,171		19,250
Other Financing Use					
Transfers out		(2,000)	(2,000)		
Net change in fund balance		(11,079)	8,171		19,250
Fund Balance, beginning of year		436	436		<u>-</u>
Fund Balance, end of year	\$	(10,643)	\$ 8,607	\$	19,250

2000 Street Debt Service Fund Schedule of Revenues, Expenditures and Changes in Fund Balance -Budget and Actual

Year ended June 30, 2005	Final Budget	Variance Positive (Negative)		
Revenues Property taxes Investment earnings	\$ 21,632	\$ 23,965 953	\$ 2,333 953	
Total revenues	21,632	24,918	3,286	
Expenditures Debt service: Principal retirement Interest and other charges	20,000 19,965	20,000 19,965	-	
Total expenditures	39,965	39,965		
Deficiency of revenues over expenditures	(18,333)	(15,047)	3,286	
Other Financing Source Transfers in	8,000	7,000	(1,000)	
Net change in fund balance	(10,333)	(8,047)	2,286	
Fund Balance, beginning of year	66,389	66,389		
Fund Balance, end of year	\$ 56,056	\$ 58,342	\$ 2,286	

Water Debt Service Fund Schedule of Revenues, Expenditures and Changes in Fund Balance -Budget and Actual

Year ended June 30, 2005		Final Budget		Actual	I	ariance Positive egative)
Revenues	•	500	•	1 004	•	52.4
Investment earnings	\$	500	3	1,034		534
Expenditures						
Debt service:						
Principal retirement		84,760		84,760		-
Interest and other charges		33,275		33,275		
Total expenditures	1	18,035	1	18,035		
Deficiency of revenues over expenditures	(1	17,535)	(1	17,001)		534
Other Financing Source		00 002	1.	00.002		
Transfers in	1	00,083	_1	00,083		
Net change in fund balance	(17,452)	(16,918)		534
Fund Balance, beginning of year		63,033		63,033		
Fund Balance, end of year	\$	45,581	\$ 4	46,115	\$	534

2003 Village Hall Debt Service Fund Schedule of Revenues, Expenditures and Changes in Fund Balance -Budget and Actual

Year ended June 30, 2005	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	\$ 50,552	\$57,482	\$ 6,930
Investment earnings	-	150	150
Other	29,949	28,549	(1,400)
Total revenues	80,501	86,181	5,680
Expenditures			
Debt service:			
Principal retirement	10,000	10,000	-
Interest and other charges	67,075	64,231	2,844
Total expenditures	77,075	74,231	2,844
Excess of revenues over expenditures	3,426	11,950	8,524
Fund Balance, beginning of year	16,143	16,143	
Fund Balance, end of year	\$ 19,569	\$28,093	\$ 8,524

Downtown Development Authority Debt Service Fund Schedule of Revenues, Expenditures and Changes in Fund Balance -Budget and Actual

Year ended June 30, 2005		Final Budget		Actual	Variance Positive (egative)
Revenues					
Investment earnings	\$		\$	9	\$ 9
Expenditures Debt service:					
Principal retirement	2	25,000	2	225,000	-
Interest and other charges		6,638		9,549	 (2,911)
Total expenditures	2	31,638	2	234,549	(2,911)
Deficiency of revenues over expenditures	(2	31,638)	(2	234,540)	(2,902)
Other Financing Source Transfers in	2	31,638	2	231,638	
Net change in fund balance		-		(2,902)	(2,902)
Fund Balance, beginning of year		2,902		2,902	_
Fund Balance, end of year	\$	2,902	\$		\$ (2,902)

2003 Village Hall Capital Projects Fund Schedule of Revenues, Expenditures and Changes in Fund Balance -Budget and Actual

Year ended June 30, 2005	 Final Budget	Actual	riance with nal Budget Positive (Negative)
Revenues			
Investment earnings	\$ -	\$ 1,040	\$ 1,040
Other	 2,860	 2,860	
Total revenues	2,860	3,900	 1,040
Expenditures Current:			
Capital outlay	41,445	16,667	24,778
Deficiency of revenues over expenditures	(38,585)	(12,767)	25,818
Other Financing Use			
Transfers out	 (10,000)		(10,000)
Net change in fund balance	(48,585)	(12,767)	35,818
Fund Balance, beginning of year	46,239	46,239	
Fund Balance, end of year	\$ (2,346)	\$ 33,472	\$ 35,818

Internal Service Funds

Internal Service Funds Combining Statement of Net Assets

June 30, 2005	Central Equipment	Police Equipment	Total
Assets			
Current assets:			
Cash and investments	\$ 220,008	\$ 36,825	\$ 256,833
Accounts receivable	388	65	453
Total current assets	220,396	36,890	257,286
N			
Noncurrent assets:	221 022	20 000	270 902
Capital assets, net of accumulated depreciation	231,923	38,880	270,803
Total Assets	452,319	75,770	528,089
T !- k !!!!!			
Liabilities	1,288	2 222	2 611
Accounts payable	1,288	2,323	3,611
Accrued liabilities	139	<u>-</u>	139
Total liabilities	1,427	2,323	3,750
Net Assets			
Invested in capital assets, net of related debt	231,923	38,880	270,803
Unrestricted	218,969	34,567	253,536
Total Net Assets	\$ 450,892	\$ 73,447	\$ 524,339

Internal Service Funds Combining Statement of Revenues, Expenses and Changes in Net Assets

Year ended June 30, 2005	Central Equipment	Police Equipment	
Operating Revenues			
Charges for services	\$ 196,124	\$ 60,591	\$ 256,715
Interest and penalties	4,941	727	5,668
Other	 	250	250
Total operating revenues	201,065	61,568	262,633
Operating Expenses			
Personnel services	12,001	-	12,001
Materials and supplies	58,057	40,613	98,670
Benefit payments and refunds	3,949	-	3,949
Depreciation	39,294	32,506	71,800
Other	 11,987	5,677	17,664
Total operating expenses	 125,288	78,796	204,084
Operating income (loss)	75,777	(17,228)	58,549
Nonoperating Revenues (Expenses)			
Gain on the disposal of assets	1,813	3,200	5,013
Interest expense and charges	(378)		(378)
Total nonoperating revenues	1,435	3,200	4,635
Net Income (Loss)	77,212	(14,028)	63,184
Net Assets, beginning of year	 373,680	87,475	461,155
Net Assets, end of year	\$ 450,892	\$ 73,447	\$ 524,339

Internal Service Funds Combining Statement of Cash Flows

		Central		Police		
Year ended June 30, 2005		Equipment	E	Equipment		Total
Cash Flows From Operating Activities						
Payments to suppliers	\$	(34,418)	\$	(39,439)	\$	(73,857)
Payments to employees		(12,001)		-		(12,001)
Benefit payments		(3,949)		-		(3,949)
Other payments		4,941		977		5,918
Payments from interfund services		196,124		60,591		256,715
Net cash from operating activities		150,697		22,129		172,826
Cash Flows for Capital and Related Financing Activities						
Proceeds from sale of capital assets		1,813		3,200		5,013
Principal paid on long-term debt		(23,186)		-		(23,186)
Interest paid		(378)		_		(378)
Purchase of capital assets		(101,955)		(21,488)		(123,443)
Turenabe of eaglast abbets		(101,500)		(21,100)		(120,110)
Net cash for capital and related financing activities		(123,706)		(18,288)		(141,994)
Net Increase in Cash and Investments		26,991		3,841		30,832
Cash and Investments, beginning of year		193,017		32,984		226,001
Cash and Investments, end of year	\$	220,008	\$	36,825	\$	256,833
Reconciliation of Operating Income (Loss) to Net Cash						
From Operating Activities						
Operating income (loss)	\$	75,777	\$	(17,228)	\$	58,549
Adjustments to reconcile operating income (loss) to net cash	Ψ	15,111	Ψ	(17,220)	Ψ	30,349
from operating activities:						
Depreciation expense		39,294		32,506		71,800
Changes in assets and liabilities:		37,274		32,300		71,000
Accounts receivable		36,001		6,153		42,154
Accounts payable		30,001		698		786
Accrued liabilities		(463)		070		(463)
Accided induffices		(+03)			_	(403)
Net Cash From Operating Activities	\$	150,697	\$	22,129	\$	172,826

Fiduciary Fund

Agency Fund Combining Statement of Changes in Asset and Liabilities

	Jı	Balance, uly 1, 2004	Increases	Decreases	June	Balance, e 30, 2005
Asset Cash	\$	338,682	\$ -	\$ 338,682	\$	-
Liabilities						
Accounts payable	\$	329,063	\$ -	\$ 329,063	\$	-
Due to other governments		9,619	 <u> </u>	 9,619		
Total Liabilities	\$	338,682	\$ -	\$ 338,682	\$	-

Schedules of Outstanding Bonded Indebtedness

Debt service requirements to maturity consist of the following:

				overnmental
	2000 Stre	et Bonds	Northwes Water Supp Bonds	ply System
Fiscal year ending June 30,	Principal	Interest	Principal	Interest
2006	\$ 20,000	\$ 18,705	\$ 93,888	\$ 31,135
2007	25,000	17,585	133,008	26,077
2008	30,000	16,210	129,096	20,179
2009	30,000	14,710	126,488	14,397
2010	35,000	13,085	125,184	8,640
2011	40,000	11,170	122,576	2,881
2012	40,000	9,080	-	-
2013	45,000	6,838	-	-
2014	50,000	4,307	-	-
2015	55,000	1,485	_	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	· -	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	_		<u>-</u>	-
	\$370,000	\$113,175	\$ 730,240	\$ 103,309

General Long-Term Obligations

Activities

	General I Improv				2.9% Reta	il Cor	ntract		
P	Principal		Interest		Principal		ipal Interest		Total quirements
\$	10,000 30,000 35,000 35,000 35,000 35,000 35,000 35,000 40,000 45,000 50,000 65,000 75,000 80,000 90,000		63,756 63,756 63,506 62,681 61,631 60,494 59,269 57,956 56,600 55,200 53,850 52,275 50,475 48,450 46,200 43,425 40,419 36,950 33,250	\$	209,500	\$	6,075	\$	453,059 295,176 293,166 282,226 277,403 270,896 142,036 143,438 139,507 145,335 92,275 95,475 98,450 106,200 108,425 115,419 116,950 123,250
1	00,000 10,000 20,000	:	29,088 24,464 19,237		-		-		129,088 134,464 139,237
1	20,000 30,000 55,000		19,237 13,537 7,363		- - -		-		143,537 162,363
\$ 1,4	35,000	\$ 1,0	40,076	\$	209,500	\$	6,075	\$4	,007,375

						Business-Type
	Systems	st Ottawa reatment Bonds -	Northwest Ottawa Water Treatment System Bonds - 1989 Refunding		Northwes Water Trea Refundir	tment Plant
Fiscal year ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 46,716	\$ 18,856	\$ 23,188	\$ 14,472	\$ 49,306	\$ 17,120
2007	50,838	15,586	24,242	13,313	47,937	13,520
2008	54,960	12,002	25,296	12,052	46,567	10,021
2009	59,769	8,127	26,350	10,711	45,654	6,622
2010	65,265	4,242	26,350	9,288	43,829	3,243
2011			26,350	7,740	-	-
2012	-	-	26,350	6,192	_	-
2013	-	_	26,350	4,644	-	-
2014	_	-	26,350	3,096	-	-
2015	-	-	26,350	1,548	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021			<u>.</u>	-		
	\$ 277,548	\$ 58,813	\$257,176	\$ 83,056	\$233,293	\$ 50,526

Enterprise Funds

Act	IV	ntı	29

	2002	County Northwest Ottawa Water Supply System Bonds Bonds - 2005		Total	
_	Principal	Interest	Principal	Interest	Requirements
	\$ 7,943 8,936 9,929 10,922 11,915 12,908 13,901 14,894 15,887 17,376 19,362 20,851 22,837 24,823	\$ 13,343 12,976 12,562 12,103 11,596 11,038 10,431 9,774 9,061 8,280 7,411 6,443 5,377 4,207	\$ - 4,559 5,014 5,014 5,470 5,926 6,382 6,838 7,294 7,750 8,205 8,661 9,117	\$ 3,213 3,453 3,453 3,314 3,157 2,997 2,811 2,603 2,370 2,110 1,826 1,516 1,177 814	\$ 194,157 190,801 191,401 188,586 183,899 66,503 65,611 64,647 63,602 62,958 36,349 37,015 38,052 38,961
	27,305 29,787	2,923 1,899	10,029	426	40,683 31,686
_	\$269,576	\$ 139,424	\$ 90,259	\$ 35,240	\$1,494,911



BDO Seidman, LLPAccountants and Consultants

99 Monroe Avenue NW, Suite 800 Grand Rapids, Michigan 49503-2654 Telephone: (616) 774-7000 Fax: (616) 776-3680

November 8, 2005

Members of the Village Council Village of Spring Lake Spring Lake, Michigan

Dear Members:

We have audited the basic financial statements of the Village of Spring Lake as of and for the year ended June 30, 2005, and have issued our report thereon dated October 12, 2005. In planning and performing our audit, we considered the Village's internal controls in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on internal controls. We have not considered internal controls since the date of our report.

During our audit, we noted certain matters involving operations and procedures that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal controls or result in other operating efficiencies. Through our discussions with management, our prior year recommendation regarding the password policy has not been implemented and is presented here again for your consideration.

This memorandum is intended solely for the information and the use of the Village Council, management and others within the Village and should not be used for any other purpose.

Very truly yours,

BDO Seilman, LLP

Village of Spring Lake

Memorandum of Recommendations Year Ended June 30, 2005

Village of Spring Lake

Memorandum of Recommendations

Formalization of Fixed Asset Capitalization Policy

The Village does not have a written fixed asset capitalization policy. A formal capitalization policy will provide the guidelines for the effective and consistent administration of fixed asset accounting matters.

Recommendation

A policy should be established regarding accounting for fixed assets and repairs and maintenance. We recommend all purchases under \$1,000 be expensed. Any expenditures over \$1,000 should be capitalized if the item purchased has a life in excess of one year or, if a repair, it extends the useful life of the asset beyond its normal life. If the expenditure does not meet either of these criteria, it should be expensed.

Backup Files

The normal information systems processing cycle includes backing up computer files daily. These files, along with other backup tapes, are stored in the computer center during business hours. With this approach, an intense fire in the building housing the computer equipment could destroy both the primary files and the backup files. Without this backup data, recreation of the records could be very difficult or impossible.

Recommendation

Rotate backup files periodically to an off-site location to ensure that at all times there is a historical copy of the data off site.

Computer Center

The door to the computer center is left unlocked during and after business hours.

Recommendation

To improve the physical security of the computer center the door should be kept locked at all times and access provided only to authorized employees.

Village of Spring Lake

Memorandum of Recommendations

Recommendation Repeated From 2004

Password Policy

Passwords are a basic internal control within an information systems environment. They serve numerous important purposes including restricting access and helping to provide adequate separation of duties. Although the Village does utilize passwords, they are generally not required to be changed, and lockout procedures do not exist for all network accounts. This increases the risk that unauthorized individuals could repeatedly attempt to log on to the Village's systems and go undetected. Furthermore, since hacker utilities that guess passwords are commonly available on the Internet, the Village's exposure to unauthorized access appears to be high.

Recommendation

Require all passwords on the network, dial-in and significant system applications to be changed every 90 days, be a minimum of six characters and be chosen by each user. Users who are unable to properly authenticate to the system within 3 to 5 attempts should be automatically locked out of the system and remain locked until an information systems administrator unlocks their user profile. Additionally, passwords should not be synchronized among different applications.

BDO Seidman, LLP Accountants and Consultants 99 Monroe Avenue NW, Suite 800 Grand Rapids, Michigan 49503-2654 Telephone: (616) 774-7000 Fax: (616) 776-3680

October 25, 2005

Members of the Village Council Village of Spring Lake Spring Lake, Michigan

Dear Members:

Professional standards require us to advise you of the following matters relating to our recently completed audit. The matters discussed herein are those that we have noted as of October 12, 2005, and we have not updated our procedures regarding these matters since that date.

Our Responsibility Under Generally Accepted Auditing Standards

As stated in our engagement letter dated January 28, 2005, our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatements, whether caused by error or fraud. An audit in accordance with auditing standards generally accepted in the United States of America does not provide absolute assurance or guarantee the accuracy of the basic financial statements and is subject to the inherent risk that errors or fraud, if they exist, have not been detected. Such standards also require that we obtain a sufficient understanding of the Village of Spring Lake, Michigan's (Village) internal control to plan the audit. However, such understanding is required for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. The significant accounting policies used, including significant new accounting policies adopted during the year by the Village, are described in the notes to the financial statements. We noted no transactions entered into by the Village during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates

Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. We have made tests of management's estimates and deemed them to be appropriate.



Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. The definition includes adjustments that were not recorded by the Village because they are not material to the current financial statements but might be potentially material to future financial statements.

During our audit, we proposed audit adjustments, all of which were recorded by the Village (see attached). In addition, management incorporated our suggested disclosures in the notes to the financial statements.

Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the Village's basic financial statements or the audit report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation With Other Accountants

There may be circumstances where the Village considers consulting with other accountants about accounting and auditing matters. We are not aware of any situation where this occurred during the period.

Major Issues Discussed With Management Prior to Retention

Prior to our being retained as auditor for the current fiscal year, there were no major accounting or other issues of concern discussed with management.

Difficulties Encountered With Performing the Audit

We experienced delays during the audit due to not receiving schedules requested at the onset of the audit until later in the audit process. In all other respects, we had no difficulties in performing the audit.

Independence

We are not aware of any relationships between BDO Seidman, LLP and the Village of Spring Lake that, in our professional judgment, may reasonably be thought to bear on our independence.

* * * *

Should you desire further information concerning these matters, we will be happy to meet with you at your convenience.

This letter is solely for the internal use of the Village Council and management of the Village, and should not be distributed to any other persons or used for any other purpose.

Very truly yours,

BDO Seilmen, LLP

VILLAGE OF SPRING LAKE JOURNAL ENTRY ** NOT POSTED TO GL ** JE: 00074840

POST DATE: 06/30/2005 ENTRY DATE: 10/11/2005 ENTERED BY: GL JOURNAL: GJ

DESCRIPTION: CORRECT DEPRECIATION

GL #	DESCRIPTION	DR	CR
661-000.000-140.001 661-000.000-987.000	ACC DEPRECIATION MACH & EQUIP DEPRECIATION	2,123.33	
	JOURNAL TOTAL:	2,123.33	2,123.33
APPROVED BY:		_	

VILLAGE OF SPRING LAKE JOURNAL ENTRY ** NOT POSTED TO GL ** JE: 00074844

PQST DATE: 06.30/2005 ENTRY DATE: 10'14/2005

ENTERED BY: GL JOURNAL: GJ

DESCRIPTION: ACCRUE BOND INTEREST

GL #	DESCRIPTION	DR	CR
591-000.000-251.100 591-000.000-818.006 591-000.000-995.004 591-000.000-996.004 591-000.000-819.592 591-000.000-819.593	ACCRUED INTEREST PAYABLE-NOWS WATER COMMODITY PURCHASE BOND INT - 2001 INTAKE 2005 WATER BONDS - INTAKE REPAIR FERRYSBURG - NOWS I 21.08% SL TOWNSHIP - NOWS I 21.08%	5,996.00 4,390.00 496.00 5,209.92 9,262.08	5,996.00
591-000.000-251.100	ACCRUED INTEREST PAYABLE-NOWS	·	19,358.00
	JOURNAL TOTAL:	25,354.00	25,354.00

APPROVED BY:

VILLAGE OF SPRING LAKE JOURNAL ENTRY

JE: 00074847

POST DATE: 06/30/2005 ENTRY DATE: 11/08/2005 ENTERED BY: GL JOURNAL: GJ

DESCRIPTION: CORRECT LIABILITY FOR TAX REIMB - 2002

WATER DEBT TRANSFER AMT HAD ORG BEEN INCLUDED IN THE SCHOOL CAPTURE AMT

GL#	DESCRIPTION	DR	CR
296-000.000-202.000	ACCOUNTS PAYABLE	35,000.00	
296-000.000-980.000	SCHOOL CAPTURE REIMBURSEMENT		35,000.00
	JOURNAL TOTAL:	35,000.00	35,000.00
APPROVED BY:			